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Government  
Publications







## COMPENDIUM

RENT CONTROL ACT

This Bill introduces a permanent system of rent control. Its purpose is to provide better protection to tenants from high rent increases and to ensure maintenance of existing rental housing.

The proposed legislation will replace the Residential Rent Regulation Act, 1986, as amended. The Bill is based on the response from a wide ranging consultation on rent control in early 1991, including a discussion paper circulated for public consultation in February, 1991.

The Bill limits most rent increases to an annual guideline increase set by the Ministry and related to inflation. Some increases, not exceeding 3% above guideline, may be granted in limited circumstances. Maintenance provisions are strengthened. A system of first level hearings about matters in dispute are introduced with appeal only to the courts.

The Bill provides:

SCOPE OF COVERAGE

The rent control legislation will generally cover the same rental accommodation covered by the Landlord and Tenant Act. Generally mirroring the exemptions of the Landlord and Tenant Act provides the tenant with both security of tenure (L.T.A.) and protection from excessive rent increases (rent control).

There are two exceptions to the mirroring of the Landlord and Tenant Act. Complexes owned by Ontario Housing Corporation and units in non-profit housing corporations financially supported by federal, provincial or municipal governments will be excluded from rent control legislation except for the requirement of giving notices of rent increases to the tenants of those units.

New complexes (building permit issued on or after June 6, 1991) will be exempted for a period of 5 years from the first rental of the first unit in the complex. In order to retain this exemption during the five year period the landlord must advise a tenant before entering into a tenancy agreement with her or him that the unit is exempt from rent control until the end of the five year period.

ANNUAL RENT INCREASES

The landlord may only increase the rent for a unit once every twelve months, giving written notice to the tenant ninety days before the increase.

Most increases in maximum rent will be limited to the guideline increase. Maximum rent is the greatest amount of rent that a landlord can charge for a rental unit. It may be greater than the amount the landlord actually is charging for the unit. The guideline for maximum rent increases will be based on a rent control index. The index is based on inflation-related cost changes in rental buildings, averaged over three years. Built into the annual rent control guideline will be a 2% increase each year to pay for capital expenditures. There will be two guidelines, one for buildings with 7 or more units (50% of the rent control index plus 2% for capital expenditures) and one

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for buildings with 6 or fewer units (2/3rds of the rent control index plus 2% for capital expenditures). The rent control guideline for the buildings with 6 or fewer units will be slightly larger because smaller buildings have less "economies of scale".

#### **APPLICATIONS TO INCREASE MAXIMUM RENT ABOVE GUIDELINE**

An increase in maximum rents of up to 3% above guideline may be permitted in any one year. The landlord who wishes to take an increase greater than the guideline amount must make an application at least ninety days before the first intended rent increase for the residential complex set out in the application. A complex, which is defined in the Bill, is a group or building(s) of rental units. The landlord must establish in the application that extraordinary operating costs and/or allowable capital expenditures or costs of providing new services have been experienced.

#### **Extraordinary Operating Costs**

Increases that do not exceed the overall cap of 3% above guideline may be permitted where there are extraordinary increases in operating costs for municipal taxes, hydro, water or heating. Allowing a landlord to apply for such increases reflects local and regional cost variations which occur in these items.

If the landlord applies to increase the rent above guideline, any increase justified in the application will be offset by any extraordinary decreases experienced in operating costs for municipal taxes, hydro, water or heating.

#### **Capital Expenditures**

Landlords may apply in limited circumstances to increase maximum rents because of capital expenditures which are substantially completed. The increase cannot exceed the overall cap of 3% above the rent control guideline.

Increases above guideline for capital expenditures which relate to any one of the following may be allowed:

- physical integrity of the complex or unit
- health, safety and environmental standards
- maintaining the provision of a plumbing, heating, mechanical, electrical, ventilation, or air conditioning system
- access for persons with disabilities or
- increased energy conservation

Consent of the tenant is not required for these capital expenditures. It must be demonstrated by the landlord that these capital expenditures did not result from neglect and if an item is replaced, that it requires replacement.



Increases above guideline may be permitted (subject to the overall cap of 3% above guideline) to allow for en suite capital expenditures not otherwise eligible and en suite services made with the consent of the tenant.

If the capital expenditure allowed replaces a capital expenditure for which an allowance was made on a previous order and that capital expenditure was substantially completed on or after August 1, 1985, the amount allowed for the new capital expenditure will be reduced by the amount of the previous capital expenditure allowance.

There are transition provisions for capital expenditures. Capital expenditures substantially completed during the transition period (January 1, 1990 to June 6, 1991) will be allowed subject to the overall cap of 3% above guideline. The landlord must apply for this transitional provision within six months of the proclamation of the Act. Rent increases resulting from these capital expenditures will be prospective only. It will not be necessary for these capital expenditures to meet the eligibility or consent requirements set out above because they were substantially completed prior to the introduction of this proposed legislation.

Because 2% for capital expenditures is already built into the guideline the landlord must demonstrate that the 2% has been used for capital expenditures before any increase above the guideline related to capital expenditures is permitted in any year.

Amounts allowed for capital expenditures in an order which exceed the overall cap of 3% above guideline may be carried forward for one year for large buildings (7 or more units) and for two years for small buildings (6 or fewer units). If the Ministry is notified that the landlord wishes to include the carry forward amount in the rent increases for the next year, the Ministry will issue a notice which will set out the amount of the carry forward and guideline increase the landlord may take. The guideline increase for that year will be reduced by 2% in the carry forward notice. The maximum rents for all the units in the complex for that year will be set out in the notice. The increase to maximum rents set out in the notice will not be greater than guideline plus 3%. No carry forward notice will be issued if the net rent increase set out in the notice is less than the guideline increase for that year.

If the landlord wishes to make a new application in the subsequent year, rather than requesting a carry forward notice, the excess capital expenditures which could have been set out in the notice will be allowed as a capital expenditure in the subsequent application, subject to the overall cap of 3% above guideline.

Prior to making a capital expenditure or adding a new service the landlord may apply for an advance determination to find out whether the capital expenditures are eligible, whether the en suite capital expenditures or new services have the consent of the tenant, and the amount that will be allowed in the subsequent application, after the work is done, for the expenditure. Again, all increase are subject to the overall cap of 3% above guideline in any year. To actually obtain approval for a rent increase a subsequent application must be made when the capital expenditures and services are substantially completed.



### **Other Considerations**

Other issues which will be considered on an application for an increase above guideline will be whether there has been an extraordinary decrease in the operating costs for municipal taxes, hydro, water or heating, whether the standard of maintenance or repair of the complex or a unit is inadequate, and whether there has been a discontinuance or reduction in the services or facilities provided to the complex or the unit. If any of these things have occurred there will be a reduction in the otherwise justified rent increase, or if the circumstances warrant, a reduction in the maximum rent.

The proposed legislation provides that an order resulting from an application to increase the maximum rent above guideline will set out the maximum rent and the effective date of the new maximum rent for each unit in the complex.

Tenants owing money as a result of an order made three months or more after the first effective date may be allowed, in the order, to pay the amount owing either in twelve equal monthly installments or in a lump sum.

### **APPLICATIONS TO REDUCE THE RENT**

The proposed legislation will allow a tenant to apply at any time to have the rent reduced for specific reasons. These applications may be based on any one of the following grounds:

- there has been an extraordinary decrease in operating costs for municipal taxes, hydro, water or heating;
- the standard of maintenance or repair of the complex or the unit is inadequate; or
- there has been a discontinuance or withdrawal of a service or facility to the complex or a unit.

If one tenant makes an application for a decrease in the maximum rent for his or her own unit based upon a ground which would appear to affect all of the units, the other tenants in the complex may be joined as parties to the application, and all rents in the complex may be reduced.

### **OTHER REDUCTIONS**

There may be an automatic reduction made to the maximum rents of the units in a complex when the Rent Registrar is requested by a Council of a municipality to make such a reduction because there has been a decrease in the assessed value of the complex as a result of a reassessment under the Assessment Act. The landlord of the complex and tenants of the affected units will be given notice of the decrease.

## REBATES

This Bill allows a tenant to apply for a rebate of excess rents and a setting of the maximum rent for the unit if illegal rents have been charged.

Rebate applications by tenants or prospective tenants will be permitted where other illegal charges (other than excess rent) have been charged by a landlord, superintendent or another tenant. These charges are often call "key money".

Rebates for excess rent or "key money" will be allowed up to the amount of \$5,000.00 or a higher amount equal to the Small Claims Court jurisdiction. If the rebate owing is greater than this amount, the tenant or prospective tenant may apply to the court for a rebate or waive his or her right to the rebate in excess of the Ministry's monetary jurisdiction.

Interest calculated from the date the application is made, in the same manner set out in the Courts of Justice Act, at the post-judgment rate of interest, will be added to rebates whether the application is made to the Ministry or the court. Rebates will not be ordered for money paid more than 6 years before the application is filed.

Rebates owing may be deducted from future rents if the tenant is still in the unit and the landlord is the person who owes the rebate.

## MAINTENANCE

The proposed legislation continues to provide for provincial capacity to set minimum maintenance standards for residential rental accommodation and to determine if the provincial or municipal standards are not met or enforced.

In localities in which the provincial standards apply, a provincial work order will be issued if there is a lack of compliance with the provincial standards. This order may be reviewed if the landlord disagrees with its terms.

Copies of municipal and provincial work orders will be received by the Director of Rent Control. If a landlord does not comply with a provincial or municipal work order, a rent penalty order will be issued prohibiting the landlord from taking any rent increases. During this period of time the landlord may not issue any notices of rent increase. The landlord will be notified of the impending rent penalty order in advance, providing an opportunity to establish that the work order has been satisfied. The rent penalty order, once issued, will remain in effect until it is established that the work order has been satisfied.

As stated above, a tenant may also initiate an application if there is inadequate maintenance in the complex or unit.



## RENT REGISTRY

The Rent Registry will be maintained, recording the maximum rent of rental units.

Landlords with complexes containing 7 or more units were required to register the rents charged on July 1, 1985 with the province's rent registry system under the Residential Rent Regulation Act, 1986. This requirement is carried on in the proposed legislation. All of the information recorded in the existing Rent Registry system will be adopted into the new Rent Registry.

Landlords of residential complexes, including boarding houses or lodging houses, with 4 to 6 units will be required to register the rent charged as of October 1, 1990 unless there is a prior order during the 1985 to 1990 period of time. Landlords of complexes with 4 or more units that were exempt from the Residential Rent Regulation Act, 1986 will be required to register the rents charged the day this Bill is proclaimed into force. The dates by which these complexes must be registered will be prescribed.

A landlord of a smaller complex (1, 2 or 3 units) may register if she or he wishes to do so. The Registrar may require a landlord to register the rents for a complex containing 1, 2 or 3 units. As well, tenants may request that the Registrar require the registration of a complex containing 1, 2 or 3 units.

A notification will be issued advising landlords and tenants of the maximum rent based upon the initial rent filed by the landlord or an ordered rent. If during the six month challenge period following the notification there are no challenges made by the landlord, tenants or a Registrar's motion, the rent set out in the notification will be deemed to be the legal maximum rent.

Notifications which were already issued under the Residential Rent Regulation Act, 1986 will continue to run for the period set out in those notices. The rights the tenant has to file an application to challenge the legality of the rent set out in the notice continues. If the tenant files the application before proclamation of the Act, the landlord may file a justification as provided for in the Residential Rent Regulation Act, 1986. However, if the tenant's application challenging the rent set out in the notification is filed after proclamation, the landlord may not rely upon the justification sections in the Residential Rent Regulation Act, 1986. The tenant's application in the latter circumstances will be dealt with under the proposed legislation.

Rents recorded in the Rent Registry will be updated by the Registrar recording any orders made affecting the rents and applying applicable guideline increases to the recorded rent. Landlords will also be required to file statements of changes to the information which is needed to keep the Registry current and accurate.



The landlord may be directed to register the units for the complex if any application is made under the Act. An order allowing an increase above guideline will not be granted until the landlord has registered the rents of the units in the complex.

As well, if a landlord fails to register a complex which must be registered an order may be issued prohibiting the landlord from taking any rent increases until registration has occurred.

## DECISION MAKING AND ADMINISTRATIVE STRUCTURE

A new decision making and administrative structure is created and the position of Director of Rent Control is established. The position of Rent Registrar is continued. Chief Rent Officers, rent officers and inspectors have duties and responsibilities set out under this Bill.

An applicant or any other party to an application under this Bill may request that a hearing be held in the processing of an application. A hearing will be held if such a request is made, or if the Chief Rent Officer considers it necessary, even if the parties did not request a hearing.

Hearings will be held by one person. These hearings will be subject to the requirements of the Statutory Powers Procedure Act.

A rent officer may conduct a pre-hearing conference required in order to sort out some of the procedural matters, clarify issues, add or remove parties before the hearing. The rent officer who holds the pre-hearing conference which will not be subject to the requirements of the Statutory Powers Procedure Act will not be the same rent officer who presides at the hearing.

If no request is made, and the Chief Rent Officer does not consider it necessary to have a hearing, the application will be processed by way of administrative review.

Whether the application proceeds by way of a hearing or administrative review, the parties will be provided opportunity to review the application, provide evidence and submissions and examine and respond to the other party's material.

Orders may be appealed, whether produced in the administrative review process or the hearing process, to the Divisional Court on questions of law only.

A regulation-making authority section is set out to allow for the making of regulations to be followed in the deciding and processing of applications and motions.



### OFFENCES

A number of offences are created in this Bill to ensure the enforcement of obligations and rights created in this legislation. Many of the offences are carried over from the Residential Rent Regulation Act, 1986. New offences which are added are:

- failure to obey maintenance or standards orders issued by provincial inspectors
- charging of key money by superintendents
- failure to register a complex with Rent Registry which is required to be registered will be a continuing offence
- knowingly charging illegal rents
- charging for extra services as a condition of obtaining or continuing the tenancy
- harassing persons attempting to enforce their rights under this Act
- hindering inspections

The limitation period for prosecutions will be extended to two years. The two year limitation period for filing false or misleading information will run from the time of discovery of the offence.

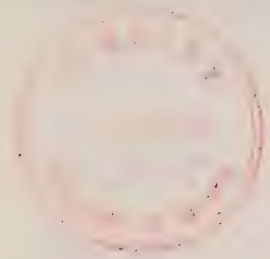
### TRANSITION TO RENT CONTROL SYSTEM

The provisions of the Residential Rent Regulation Act, 1986, as amended, are retained for the purpose of resolving applications and motions and court proceedings which were commenced prior to the new rent control legislation coming into force.

Parts of the Residential Tenancies Act are retained for the purpose of resolving applications and court proceedings outstanding under that system.



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STATEMENT TO THE LEGISLATURE  
BY  
DAVE COOKE,  
MINISTER OF HOUSING  
SPEECH ON THE INTRODUCTION OF  
THE RENT CONTROL ACT, 1991  
JUNE 6, 1991

CHECK AGAINST DELIVERY



MR. SPEAKER,

IT IS MY PRIVILEGE TO BE INTRODUCING LEGISLATION TODAY THAT FULFILS THIS GOVERNMENT'S COMMITMENT TO PROVIDE REAL AND PERMANENT RENT CONTROL FOR THE TENANTS OF THIS PROVINCE.

THE RENT CONTROL ACT, WHICH I AM TABLING THIS AFTERNOON, IS THE RESULT OF BROAD CONSULTATION WITH TENANTS, LANDLORDS, MUNICIPAL OFFICIALS AND MANY OTHERS ACROSS THIS PROVINCE, RANGING FROM REPRESENTATIVES OF BUILDING TRADES, FINANCIAL INSTITUTIONS AND ANTI-POVERTY GROUPS.

I APPRECIATE THEIR PARTICIPATION IN THE DEVELOPMENT OF ONTARIO'S NEW RENT CONTROL SYSTEM. I CERTAINLY RECOGNIZE THE GENUINE EMOTION THIS ISSUE ELICITS, AND I THANK THE TENANTS AND LANDLORDS WHO SHARED THEIR PERSONAL EXPERIENCES AND IDEAS WITH ME.

THE FORMAL CONSULTATION STARTED IN FEBRUARY. I RELEASED A DISCUSSION PAPER DESIGNED TO DRAW OUT PEOPLE'S VIEWS ON HOW RENT CONTROL COULD BEST BE BROUGHT TO THE PROVINCE. MORE THAN 20,000 COPIES OUTLINING VARIOUS OPTIONS ON THE IMPLEMENTATION OF RENT CONTROL WERE DISTRIBUTED.

ALL MEMBERS OF THIS LEGISLATURE RECEIVED THE "OPTIONS" PAPER WHICH WAS TABLED WITH THE STANDING COMMITTEE ON GENERAL GOVERNMENT.

WE ALSO SENT OUT A NEWSLETTER TO NEARLY ONE MILLION HOUSEHOLDS, EXPLAINING, IN PLAIN, EVERYDAY LANGUAGE, WHAT RENT CONTROL OPTIONS WE WERE CONSIDERING.

THE NEWSLETTER INCLUDED A QUESTIONNAIRE WHICH MORE THAN 17,000 PEOPLE FILLED OUT AND RETURNED TO THE MINISTRY. THIS PROVIDED VALUABLE INFORMATION ABOUT THE EVERYDAY CONCERNS OF INDIVIDUAL TENANTS AND LANDLORDS.

THEN, IN WELL-ATTENDED PUBLIC MEETINGS AND IN SMALLER ROUND-TABLE SESSIONS IN 20 COMMUNITIES ACROSS THE PROVINCE, SOME 1,300 PEOPLE PARTICIPATED IN A DISCUSSION ABOUT THE PRINCIPLES AND PROPOSED SPECIFICS OF A NEW SYSTEM OF RENT CONTROL FOR ONTARIO.

I PERSONALLY HOSTED SEVEN PUBLIC MEETINGS AND A NUMBER OF SMALLER ROUND-TABLE DISCUSSIONS. MORE THAN 300 OF THOSE PEOPLE PERSONALLY SHARED THEIR IDEAS, CONCERNS AND EXPERIENCES DIRECTLY WITH ME, MY PARLIAMENTARY ASSISTANT, MARGARET HARRINGTON, AND MY CAUCUS COLLEAGUE, DON ABEL, THE MEMBER FOR WENTWORTH-NORTH.



WE ALSO HAD SOME 25 MEETINGS WITH GROUPS HAVING A SPECIAL INTEREST AND EXPERTISE IN RENT CONTROL ISSUES. MINISTRY STAFF ALSO MET WITH MEMBERS OF THESE GROUPS TO GET THEIR INPUT INTO THE PROPOSED SYSTEM.

THE LEGISLATION I AM TABLING TODAY SHOWS WE HAVE LISTENED AND HAVE RESPONDED TO WHAT WE HEARD DURING THE CONSULTATION PROCESS. I BELIEVE THE PRODUCT IS A FAIR AND WORKABLE SYSTEM FOR EVERYONE.

WE HAVE LISTENED TO TENANTS, AND WILL ADDRESS THEIR FEARS OF HIGH RENT INCREASES AND POORLY-MAINTAINED BUILDINGS.

WE HAVE HEARD THE CONCERNS OF LANDLORDS OF SMALL BUILDINGS, AND THE LEGISLATION RECOGNIZES THEIR SITUATION.

WE HAVE HEARD THE FRUSTRATIONS OF LANDLORDS AND TENANTS WHO WANT A SIMPLER, MORE UNDERSTANDABLE SYSTEM WHICH RESPONDS MORE QUICKLY TO THEIR CASES.

WE HAVE LISTENED TO MUNICIPALITIES, BUILDING TRADES, LANDLORDS AND TENANTS, ALL OF WHOM HAVE IMPRESSED UPON US THE IMPORTANCE OF CAPITAL REPAIRS IN MAINTAINING THIS PROVINCE'S AGING RENTAL HOUSING.

AND WE HAVE HEARD ABOUT THE PROBLEMS OF SUPPLYING MUCH-NEEDED RENTAL ACCOMMODATION IN COMMUNITIES ACROSS THIS PROVINCE.

WE HAVE LISTENED. AND NOW WE WILL ACT. WE WILL PROVIDE A RENT CONTROL SYSTEM THAT CAN WORK IN ONTARIO.

MR. SPEAKER, I WOULD LIKE TO OUTLINE THE MOST IMPORTANT FEATURES OF THIS LEGISLATION.

AT THE HEART OF THIS LEGISLATION ARE MEASURES INTENDED TO ENSURE THAT TENANTS ARE PROTECTED FROM HIGH RENT INCREASES. THESE MEASURES ALSO PROVIDE MORE CERTAINTY FOR BOTH LANDLORDS AND TENANTS WHO WANT TO KNOW "HOW MUCH WILL THE RENT GO UP?".

UNDER THE NEW SYSTEM OF RENT CONTROL, ANNUAL RENT INCREASES WILL BE BASED ON A RENT CONTROL INDEX. THIS INDEX WILL REFLECT THE INFLATIONARY COSTS OF RUNNING A RENTAL PROPERTY AND WILL BE UPDATED ANNUALLY. IT WILL BE AVERAGED OVER A THREE-YEAR PERIOD TO LESSEN THE IMPACT OF SUDDEN, HIGH INCREASES IN INFLATIONARY COSTS.



THE INDEX WILL PROVIDE THE BASIS FOR SETTING AN ANNUAL RENT CONTROL GUIDELINE. THE GUIDELINE WILL COMBINE THE RENT CONTROL INDEX I'VE JUST DESCRIBED AND A TWO PER CENT ALLOWANCE FOR EXPENDITURES ON MAJOR REPAIRS, USUALLY CALLED CAPITAL EXPENDITURES.

MAY I REPEAT, MR. SPEAKER, THE RENT CONTROL GUIDELINE WILL CONSIST OF AN INDEX BASED ON INFLATION PLUS A TWO PER CENT ALLOWANCE FOR CAPITAL REPAIRS.

LANDLORDS WILL BE ALLOWED TO RAISE MAXIMUM RENTS BY UP TO THIS GUIDELINE AMOUNT WITHOUT APPLYING TO THE MINISTRY. WE WILL CALCULATE TWO GUIDELINES EACH YEAR -- ONE FOR LARGE BUILDINGS AND ANOTHER FOR SMALL BUILDINGS. THE GUIDELINE FOR SMALL BUILDINGS -- ONES HAVING SIX UNITS OR LESS-- WILL BE HIGHER. THIS IS BECAUSE WE KNOW THAT SMALL BUILDINGS ARE MORE EXPENSIVE PER UNIT TO OPERATE THAN LARGER BUILDINGS.

THIS IS THE FIRST TIME THAT RENT REGULATION LEGISLATION HAS RECOGNIZED THE DIFFERENT REALITIES FACING OWNERS OF SMALL AND LARGE BUILDINGS. WE THINK THIS APPROACH IS FAIR AND INNOVATIVE.

HERE'S AN EXAMPLE OF HOW THE NEW GUIDELINES WOULD WORK. IF THE TWO GUIDELINES HAD BEEN CALCULATED FOR THIS YEAR, THE 1991 GUIDELINE INCREASE FOR LARGE BUILDINGS WOULD BE 4.6 PER CENT. THE GUIDELINE FOR SMALL BUILDINGS WOULD BE 5.4 PER CENT.

WHAT ABOUT INCREASES ABOVE THE GUIDELINE? THERE ARE ONLY FIVE SITUATIONS IN WHICH LANDLORDS CAN APPLY TO INCREASE RENTS BY MORE THAN THE GUIDELINE. AND ANY INCREASE PERMITTED WILL BE MODERATE -- NO MORE THAN THREE PER CENT ABOVE THE GUIDELINE IN ANY ONE YEAR.

LET ME MAKE THIS POINT CLEAR, MR. SPEAKER. IN ONTARIO, THE INCREASE IN THE MAXIMUM RENT WILL NEVER BE MORE THAN THE GUIDELINE PLUS THREE PER CENT. ONTARIO TENANTS WILL HAVE THE BEST PROTECTION IN CANADA. THE DAYS OF 15, 20 AND 50 PER CENT RENT INCREASES ARE GONE.

RENT WILL BE ALLOWED TO RISE ABOVE THE GUIDELINE FOR THE FOLLOWING REASONS: SIGNIFICANT INCREASES IN MUNICIPAL TAXES AND THE COSTS OF HEATING, HYDRO AND WATER. THE FIFTH AND FINAL REASON IS CAPITAL EXPENDITURES.

UNDER THE NEW SYSTEM, INCREASES FOR MAJOR CAPITAL REPAIRS WILL BE ALLOWED ONLY IF THEY ARE FOR THE FOLLOWING:



- TO MAINTAIN THE STRUCTURE AND SOUNDNESS OF THE BUILDING;
- TO MEET HEALTH, SAFETY AND ENVIRONMENTAL STANDARDS;
- TO MAINTAIN PLUMBING, HEATING , MECHANICAL, ELECTRICAL, VENTILATION AND AIR CONDITIONING SYSTEMS;
- TO PROVIDE ACCESS FOR PEOPLE WITH DISABILITIES; OR  
TO INCREASE ENERGY CONSERVATION.

WHEN LANDLORDS APPLY FOR RENT INCREASES TO PAY FOR SUCH SIGNIFICANT REPAIRS, THEY WILL HAVE TO DEMONSTRATE THAT THE REPAIRS ARE NOT THE RESULT OF NEGLECT.

TENANTS AND LANDLORDS MAY AGREE TO DO OTHER IMPROVEMENTS IN INDIVIDUAL APARTMENTS, BUT RENT INCREASES WILL NOT EXCEED THREE PER CENT ABOVE THE GUIDELINE.

WHEN LANDLORDS ASK FOR INCREASES ABOVE THE GUIDELINE, THEY MUST DEMONSTRATE THAT THE TWO PER CENT ALLOWANCE FOR CAPITAL EXPENDITURES PROVIDED IN THE ANNUAL GUIDELINE IS IN FACT BEING USED FOR CAPITAL EXPENDITURES. IN OTHER WORDS, RENTS CANNOT INCREASE ABOVE THE GUIDELINE IF THE LANDLORD DOES NOT USE THE MONEY SHE OR HE ALREADY RECEIVED FOR CAPITAL REPAIRS.

LANDLORDS WILL BE ALLOWED TO CARRY FORWARD TO THE NEXT YEAR RENT INCREASES RESULTING FROM EXCESS CAPITAL COSTS. OWNERS OF LARGE BUILDINGS WILL BE ABLE TO CARRY FORWARD FOR ONE YEAR ONLY; OWNERS OF SMALL BUILDINGS WILL BE ABLE TO CARRY FORWARD CAPITAL COSTS FOR TWO YEARS. THE TOTAL RENT INCREASE FOR ANY ONE YEAR, HOWEVER, CANNOT EXCEED THE GUIDELINE PLUS THREE PER CENT.

THIS MEANS TENANTS WILL NO LONGER BE REQUIRED TO FINANCE LUXURY RENOVATIONS SUCH AS NEW MARBLE LOBBIES LIKE THEY HAD TO UNDER THE OLD RENT REVIEW SYSTEM.

MR. SPEAKER, THE TWO PER CENT ALLOWANCE FOR CAPITAL EXPENDITURES INCLUDED IN THE ANNUAL GUIDELINE PLUS THE ADDITIONAL THREE PER CENT INCREASE THAT LANDLORDS MAY APPLY FOR SHOULD PROVIDE ENOUGH FUNDING FOR NECESSARY REPAIRS TO ONTARIO'S RENTAL HOUSING. I BELIEVE , MR. SPEAKER, THAT THIS PROVISION SPEAKS TO THE FAIRNESS OF THE LEGISLATION.

IN JUST A MOMENT, I'D LIKE TO SPEAK ABOUT THE MAINTENANCE OF APARTMENTS, BUT, AT THIS POINT, I'D LIKE TO TOUCH "BRIEFLY" ON HOW THE NEW LEGISLATION TREATS CAPITAL EXPENDITURES DONE DURING THE TRANSITION FROM ONE SYSTEM TO ANOTHER. WE HEARD A LOT ABOUT THIS ISSUE DURING OUR CONSULTATIONS, AND WE HAVE RESPONDED.



IN MOVING FROM THE CURRENT SYSTEM TO THE NEW ONE, WE PLAN TO ALLOW LANDLORDS TO CLAIM FOR CAPITAL EXPENDITURES WHICH HAVE BEEN SUBSTANTIALLY COMPLETED DURING THE PAST 18 MONTHS. THE RENT INCREASES WHICH WILL RESULT WILL BE LIMITED TO THREE PER CENT ABOVE THE GUIDELINE.

MR. SPEAKER, I WANT MEMBERS TO KNOW THAT THIS NEW LEGISLATION WILL NOT ALLOW LANDLORDS TO USE MOST OF THE REASONS THEY USED UNDER THE RENT REVIEW PROCESS TO PASS ON COSTS LEADING TO HIGH RENT INCREASES.

I'M TALKING HERE ABOUT SUCH PROVISIONS AS FINANCIAL LOSS, ECONOMIC LOSS AND INCREASED FINANCING COSTS. WE KNOW THAT THESE WERE OFTEN USED TO MAKE TENANTS PAY FOR THE COSTS OF THE LANDLORD'S INVESTMENT. THE RENT CONTROL ACT I AM INTRODUCING WILL NOT PERMIT RENT INCREASES ABOVE THE GUIDELINE FOR ANY OF THESE ITEMS.

I BELIEVE THAT APARTMENTS, RENTED TOWNHOUSES AND SO ON ARE PEOPLE'S HOMES, NOT SIMPLY SOMEONE'S INVESTMENT OR REAL ESTATE HOLDING. OUR LEGISLATION REFLECTS THAT VIEW.

MR. SPEAKER, WE KNOW TENANTS ARE WORRIED ABOUT HIGH RENT INCREASES. BUT WE ALSO HEARD CONCERNS ABOUT INADEQUATE MAINTENANCE. AS WELL, MUNICIPAL OFFICIALS AND MANY RESPONSIBLE BUILDING OWNERS WERE ANNOYED AND EVEN EMBARRASSED THAT CERTAIN LANDLORDS DO NOT FEEL OBLIGATED TO PROVIDE DECENT ACCOMMODATION. SO WE'VE DECIDED TO GET TOUGH ABOUT MAINTENANCE.

UNDER THE NEW SYSTEM, LANDLORDS WILL NOT BE ABLE TO CLAIM EVEN GUIDELINE RENT INCREASES UNTIL THEY COMPLY WITH OUTSTANDING WORK ORDERS AGAINST THEIR BUILDINGS. I AM CONFIDENT THAT LANDLORDS WHO ACT ON THEIR WORK ORDERS -- AND I WOULD SUGGEST THAT THAT IS MOST LANDLORDS -- WILL AGREE THIS IS A SIGNIFICANT AND WELCOME IMPROVEMENT OVER THE PREVIOUS LAW.

MR. SPEAKER, THE LEGISLATION I AM INTRODUCING TODAY WILL BRING ABOUT IMPORTANT CHANGES IN ADMINISTRATIVE AND ENFORCEMENT PROCEDURES. SIMPLY PUT, WE ARE TRYING TO MAKE THE RENT CONTROL SYSTEM MORE FLEXIBLE AND RESPONSIVE.

UNDER RENT CONTROL, LANDLORDS AND TENANTS WILL HAVE THEIR DIFFERENCES RESOLVED THROUGH A HEARING -- IF THEY SO CHOOSE. THE NEW SYSTEM WILL ALSO PROVIDE THEM WITH THE OPTION OF AN ADMINISTRATIVE REVIEW WITHOUT A HEARING, IF THEY PREFER THAT.



AND A DECISION MADE BY A RENT OFFICER MAY BE APPEALED TO THE COURTS ON MATTERS OF LAW ONLY. THIS WILL MAKE FOR QUICKER DECISION-MAKING FOR BOTH LANDLORDS AND TENANTS.

MR. SPEAKER, WE SEE A STRENGTHENED ROLE FOR THE RENT REGISTRY UNDER THE NEW SYSTEM. THE REGISTRY IS ALREADY GEARING UP TO PROVIDE MORE COMPREHENSIVE INFORMATION TO LANDLORDS AND TENANTS ABOUT LEGAL RENTS.

AS WELL, THE LEGISLATION ALSO STRENGTHENS RENT CONTROL ENFORCEMENT BY CREATING TOUGH PENALTIES AND NEW OFFENCES.

MR. SPEAKER, NOW I WOULD LIKE TO ADDRESS THE CONCERNS ABOUT RENTAL HOUSING SUPPLY WHICH WERE RAISED BY THE DEVELOPMENT AND CONSTRUCTION INDUSTRIES AND THE FINANCIAL INSTITUTIONS .

AS MOST MEMBERS KNOW, THERE IS A REAL NEED FOR MORE RENTAL ACCOMMODATION IN MANY PARTS OF THE PROVINCE.

WHILE OUR GOVERNMENT IS COMMITTED TO ALLEVIATING THIS SHORTAGE THROUGH ACTIVITIES IN THE NOT-FOR-PROFIT SECTOR, WE ALSO ACKNOWLEDGE PRIVATE INDUSTRY'S ESSENTIAL ROLE IN PROVIDING RENTAL HOUSING.

TO ENCOURAGE FUTURE INVESTMENT IN THIS AREA, WE HAVE DECIDED TO EXEMPT NEW RENTAL BUILDINGS FROM RENT CONTROL FOR A PERIOD OF FIVE YEARS.

THIS EXEMPTION WILL APPLY TO RENTAL HOUSING UNDER A BUILDING PERMIT ISSUED ON OR AFTER TODAY. THE FIVE-YEAR EXEMPTION PERIOD WILL START ON THE DAY THE FIRST UNIT IS RENTED. LET'S BE CLEAR, THOUGH. THE EXEMPTION IS ONLY FOR THE FIRST FIVE YEARS OF ANY NEW BUILDING, BUT WE BELIEVE THAT THIS WILL GIVE LANDLORDS A CHANCE TO ESTABLISH VIABLE RENTAL HOUSING AND HELP RENT LEVELS "SETTLE IN".

THIS OPPORTUNITY GIVES THOSE WANTING TO BUILD A CHANCE TO MAKE A GO OF IT. IT CAN STIMULATE MUCH-NEEDED INVESTMENT AND EMPLOYMENT IN THE DEVELOPMENT AND BUILDING SECTOR AND CREATE MORE HOMES FOR PEOPLE TO RENT.

MR. SPEAKER, BEFORE CONCLUDING, I WANT TO TALK ABOUT WHAT IS NOT INCLUDED IN THIS LEGISLATION AND WHY.

MANY PEOPLE CAME FORWARD TO TALK TO US ABOUT WHETHER SO-CALLED "CARE FACILITIES" SHOULD BE COVERED BY RENT CONTROL. THOUSANDS OF OLDER PEOPLE WHO LIVE IN REST AND RETIREMENT HOMES ARE AFFECTED.



THIS IS A COMPLEX ISSUE. DR. ERNIE LIGHTMAN IS ALREADY STUDYING IT. WE WILL WAIT FOR HIS REPORT BEFORE WE MAKE ANY DECISIONS IN THIS AREA.

CONCERNS ABOUT RENT CONTROL COVERAGE FOR PEOPLE LIVING IN SOCIAL HOUSING WERE ALSO RAISED DURING THE CONSULTATION PROCESS. OUR GOVERNMENT INTENDS TO DEAL WITH THOSE QUESTIONS THROUGH AVENUES OTHER THAN THIS RENT CONTROL LEGISLATION.

MR. SPEAKER, THIS IS LANDMARK LEGISLATION FOR THE PEOPLE OF ONTARIO. ALLOW ME TO RECAP BRIEFLY:

- TENANTS WILL HAVE REAL PROTECTION FROM HIGH RENT INCREASES;
- LANDLORDS WILL HAVE A SYSTEM THAT ALLOWS THEM TO PLAN FOR AND PROVIDE THE CAPITAL REPAIRS THAT BUILDINGS NEED. IF COSTS GO UP FOR TAXES AND UTILITIES, THEY CAN GET RELIEF;
- STRICTER ENFORCEMENT OF STANDARDS WILL LEAD TO BETTER-MAINTAINED RENTAL HOUSING AND THE PRESERVATION OF EXISTING STOCK;
- THE PRIVATE SECTOR WILL HAVE AN OPPORTUNITY TO CREATE NEW RENTAL ACCOMMODATION; AND

- EVERYONE WILL BENEFIT FROM MORE RESPONSIVE DECISION-MAKING.

NEARLY THREE MILLION PEOPLE ARE LOOKING TO THIS LEGISLATURE TO MAKE DECISIONS ABOUT RENT CONTROL THAT AFFECT THEIR HOMES, THEIR WELL-BEING, THEIR SECURITY. THESE ARE IMPORTANT DECISIONS. THEY DESERVE THE IMMEDIATE ATTENTION OF MEMBERS OF THIS HOUSE AND A REVIEW IN A STANDING COMMITTEE OF THIS LEGISLATURE.

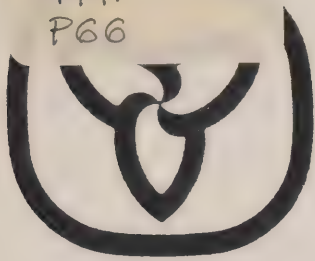
MR. SPEAKER, THE LEGISLATION I AM TABLING TODAY IS THE RESULT OF AN EXTENSIVE CONSULTATION PROCESS. PEOPLE ACROSS THE PROVINCE HAD A REAL OPPORTUNITY TO PARTICIPATE IN THE CREATION OF GOVERNMENT POLICY. I BELIEVE THE PRODUCT OF THAT CONSULTATION THAT YOU HAVE BEFORE YOU TODAY IS FAIR TO TENANTS AND LANDLORDS. THE LEGISLATION PROTECTS TENANTS AND RESPONDS TO SOME OF THE CONCERNS OF THE LANDLORD AND FINANCIAL COMMUNITIES. I LOOK FORWARD TO DISCUSSING ITS MERITS WITH MEMBERS OF THIS LEGISLATURE LATER THIS SUMMER.

I WOULD LIKE TO INVITE MEMBERS TO STUDY THIS LEGISLATION AND I HOPE AND EXPECT TO HEAR POSITIVE SUGGESTIONS FOR ANY IMPROVEMENTS.

THANK YOU.







Ontario

# Ministry of Housing

## THE PROPOSED RENT CONTROL ACT

The provincial government has introduced legislation which proposes a new system of rent control for Ontario. The legislation is intended to protect tenants, and to ensure that rental housing in the province is repaired and maintained.

This outline details some of the important elements of the proposed system.

### **The Guideline**

The rent control guideline is the amount that a landlord can raise the maximum rent for a unit once each year without getting permission from the Ministry of Housing.

This rent increase is allowed because the cost of operating a rental building increases each



year with inflation. These costs include heat, water, hydro, and municipal taxes.

Under the proposed system of rent control, the Ministry of Housing will calculate two rent control guidelines each year, based largely on inflation.

There will be one guideline for large buildings and one for small buildings. The guideline for small buildings will be slightly higher than the guideline for large buildings because it can be more expensive to operate a small building.

Part of the guideline is an amount provided to do repairs in buildings. That amount is 2 per cent of rents.

As a result, a landlord can obtain a rent increase each year which will cover the increase in operating costs due to inflation and the cost of repairs. That is called the "guideline" increase.

### **A Landlord's Costs**

The proposed rent control system recognizes that some costs may not always be covered by the rent control guideline.

A landlord may experience increases in operating costs – the cost of heat, water, hydro and taxes – which are greater than the amount allowed for in the guideline.

As well, a landlord may have major repair costs which are greater than the 2 per cent set aside for this work in the guideline.

In these cases, the landlord may apply to rent control for an increase greater than the guideline. However, the overall total rent increase can **never** be more than 3 per cent above the guideline.

In other words, under the new system, no tenant in Ontario will ever be faced with a rent increase which is greater than the rent control guideline plus 3 per cent.

As well, the landlord must prove that the additional costs are legitimate, and the tenants will be given an opportunity to dispute those costs.



## **Cost to Operate a Building**

If a landlord faces a very high increase in the cost of any of the following four items, he or she may apply to rent control for an increase greater than the guideline:

1. heat
2. water
3. hydro
4. municipal taxes

## **Major repairs**

Major repairs are often referred to as capital expenditures. They would include, for example, the repair or replacement of plumbing, roofs, garages, etc.

If a landlord experiences a high cost because of certain repairs to a building or a unit, he or she may apply to the Ministry of Housing for an increase above the guideline.

But, the landlord will be allowed to apply for a rent increase above the guideline only if the work is necessary to ensure:

- the structure and soundness of the building

- health, safety and environmental standards
- access for disabled persons
- increased energy conservation

The landlord must prove that these repairs are not the result of neglect, and that things being replaced need to be replaced.

Landlords and tenants can agree to do other kinds of work in the tenant's own apartment.

The landlord must also prove that he or she could not cover the cost of the repairs out of the 2 per cent allowance already given in the rent control guideline.

Again, the landlord will not be allowed to increase rents more than 3 per cent above the guideline in any year.

### **"Carry Forward"**

If the major repairs result in an increase that is greater than the guideline plus 3 per cent, some of this can be "carried forward" into rent increases for the following year.

Small buildings can "carry forward" for two years.



However, no rent increase, even with an amount carried forward because of the major costs of repairs, can result in a rent increase which is greater than the guideline plus 3 per cent.

### **Rent Increases No Longer Available**

The proposed rent control system eliminates a number of categories for which landlords have been able to get rent increases in the past.

Under the new system, landlords cannot apply to rent control to receive rent increases for:

- changes in interest rates
- the equalization of similar units in a building
- financial or economic loss
- hardship relief
- below-market rents
- maintenance

### **Rent Control Hearings**

The proposed rent control system guarantees landlords and tenants the right to a hearing to

resolve disputes about rent increases and maintenance.

The decision of the hearing may be appealed to the courts on matters of law only.

The new system also gives landlords and tenants the opportunity to choose to resolve matters without a hearing.

### **Rebates and Reductions in Rent**

The proposed rent control system continues to allow tenants to apply for rent rebates and rent reductions, if they are being charged illegal rents and if their landlords owe them money.

Tenants who were charged "key money" can apply under the new system for a rent rebate to get this money back **with interest**.

As well, tenants can apply to have their rent reduced when landlords have withdrawn services or when maintenance is poor.

### **Maintenance**

The proposed rent control system will impose rent penalties on a landlord who fails to



comply with any work orders related to maintenance.

If there is an outstanding work order against a building, the landlord will not be allowed to increase the rent.

The landlord cannot receive even a guideline rent increase until the work order is completed.

### **The Rent Registry**

The proposed rent control system will strengthen the role of the rent registry, recording and updating rents and providing information to landlords and tenants.

### **New Construction**

The proposed rent control system will enable newly-constructed buildings to be exempt from rent control for a period of five years.

### **And Finally...**

This outline is only an overview of the major elements of Ontario's proposed rent control law. This is not the actual legislation, but to

get a copy of the proposed law, ask for the **Rent Control Act, 1991**, available at the

Government of Ontario Bookstore, 880 Bay St., Toronto, M7A 1N8, or by calling toll free 1-800-668-9938.

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# News release

Ministry  
of  
Housing

Release: June 6, 1991

Refer to: Sine MacKinnon  
Minister's Office  
(416) 585-7431

Dana Richardson  
Housing Policy  
(416) 585-7517

## HOUSING MINISTER INTRODUCES RENT CONTROL LEGISLATION

Minister of Housing Dave Cooke today introduced legislation to protect tenants from high rent increases and to preserve and maintain rental housing in Ontario.

"This legislation will provide Ontario tenants with the best protection in Canada. Tenants will never again have to fear the 15, 20 and 50 per cent rent increases of the past," Mr. Cooke said as he introduced the government's new Rent Control Act in the House.

"At the same time, the legislation offers landlords a system that is fair and workable," he said. "And it will help to ensure that tenant homes are properly maintained."

The key elements of the proposed rent control system include:

- \* two rent control guidelines linked to the rate of inflation will be set every year: one guideline for large buildings and a higher guideline for small buildings.
- \* under no circumstances will tenants have to pay a rent increase of more than the guideline plus three per cent.
- \* a landlord may apply for a maximum rent increase of three per cent above the guideline to cover major increases in operating costs or the cost of capital expenditures.



- \* landlords and tenants will have a right to a hearing to resolve rent control disputes.
- \* the rent registry will continue to provide rental information to landlords and tenants.
- \* stronger maintenance provisions will be established with increased rent penalties.
- \* new buildings will be exempt from rent control for a period of five years.

The proposed rent control system is the product of a broad consultation with tenants, landlords, municipal and financial officials, and many other people across the province.

Under the new system, the Ministry of Housing will calculate two rent control guidelines each year based largely on the inflationary costs of operating a rental building.

Landlords will be permitted to raise maximum rents by up to the guideline amounts without applying to the Ministry of Housing.

There will be one guideline for large buildings and a slightly higher guideline for small buildings to reflect the higher per unit expense of operating a small complex.

The rent control guidelines will include a component to cover the cost of capital repairs to the building.

The legislation places strict limits on the types of costs for which a landlord could seek rent increases above the annual guideline. Rent increases to cover these costs would be limited to three per cent above the guideline.

Operating costs would be limited to significant increases in municipal taxes and the costs of heating, hydro and water.

For capital expenditures, a landlord will be allowed to seek rent increases above the guideline for work related to:

- \* maintaining the structure and soundness of the building;
- \* meeting health, safety and environmental standards;
- \* maintaining plumbing, heating, mechanical, electrical, ventilation and air conditioning systems;
- \* providing access for disabled persons; or
- \* increasing energy conservation.

In moving from the current rent review system to the new rent control system, the legislation allows landlords to claim for capital expenditures which have been substantially completed during the past 18 months. Any rent increases which result will be limited to three per cent above the guideline.

Under the new system, landlords will no longer be allowed to apply for rent increases to cover changes in interest rates, financial or economic loss, and other costs previously permitted.

Under new maintenance provisions, a landlord will be prohibited from increasing the rent if there is an outstanding maintenance order against a building. The landlord cannot receive even a guideline rent increase until the work order is satisfied.

Both landlords and tenants are guaranteed the right to a hearing to resolve disputes under the new system. The decision of the hearing may be appealed to the courts on points of law.

To stimulate employment and activity in the development and building sector, the legislation exempts new rental buildings from rent control for a period of five years while rents settle to their market levels.







Ministry  
of  
Housing

# The Proposed Rent Control Act

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This outline details some of the important elements of the proposed system.

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